

JOINT FINANCE COMMITTEE AND SELECTBOARD
MEETING MINUTES
UPSTAIRS MEETING ROOM, 1 AVENUE A, TURNERS FALLS, MA
WEDNESDAY, MARCH 13, 2019
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The Chair opens the meeting

- Meeting was opened at 6:00 PM in the Upstairs Meeting Room
- **Finance Committee members present:** Jen Audley, Fred Bowman, Greg Garrison, John Hanold, Michael Naughton, and Richard Widmer. Chris Menegoni was absent.
- **Montague Selectboard members present:** Chris Boutwell and Michael Nelson. Richard Kuklewicz was absent.
- **Others present:** Town Administrator Steve Ellis and Town Accountant Carolyn Olsen.
- The Chair announced that the meeting is being recorded by MCTV and asked if anyone else was recording the meeting. No one else was recording the meeting.

Minutes

Finance Committee Moved:

To approve the minutes of March 6, 2019.

Vote: 6 In Favor 0 Opposed 0 Abstained

Selectboard Moved:

To approve the minutes of March 6, 2019.

Vote: 2 In Favor 0 Opposed 0 Abstained

Final Decision on Non-DPW Discretionary Accounts

- Mr. Naughton previously raised the question of whether discretionary accounts are needed and/or are appropriate for the Police, IT and WPCF departments. The pros and cons that were discussed on February 6, 2019 were repeated.
- Mr. Ellis offered that the WPCF is a very capital intensive operation and allowing them to have a fund to carryforward, if not fully used, allows them to have additional flexibility without having to come to a reserve fund transfer for immediate needs.
- Mr. Garrison reiterated the benefit of having a separate discretionary account in that the remaining balance can be carried over, or subsequent appropriations reduced if a balance remains in the account.
- Ms. Audley said that thinking of these accounts as equipment accounts rather than as discretionary account makes a difference to her. Ms. Audley doesn't feel we've actually nailed

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down or agreed on what exactly these appropriations can be spent on, and that it may not be the Finance Committee's role to make that decision. For instance, the police department used their discretionary fund to purchase weapons this year, but Ms. Audley feels that the purchase of weapons should be part of the operating budget. The Chief said he might use the fund to purchase a speeding sign, and that feels like it should be a separate special article. Ms. Audley asked if there's something broken that we're trying to fix by moving these appropriations into the department budgets.

- Mr. Naughton said he felt that there was a problem before implementing the DPW discretionary account, and that having that account fixed that problem. But Mr. Naughton's opinion is there was no clear problem with any of the other budgets. Discretionary funds are more convenient, but he doesn't find that compelling enough reason to have one. When the other discretionary accounts were set up, it was done with a 'try it and see if it works' idea, and he doesn't see that they've justified their existence. The purchases made seem like they should be in the departmental budget. It seems simpler and easier to keep these expenses in the departments' budgets. Mr. Naughton feels that convenience isn't enough of a reason to have special articles.
- Mr. Ellis thinks that the temptation to spend budgets out is diminished with an account that endures past the end of the year. Sometimes it's better to wait on expenditures, and having the ability to roll forward funds makes this easier. He noted that some departments have significant equipment expenses that are not annual expenses (EG, the police department doesn't buy weapons every year).

Finance Committee Moved:

To move the Police discretionary account into the operating budget.

Vote: 1 In Favor 5 Opposed 0 Abstained

- Mr. Hanold sees slightly more reason to put the IT discretionary account into the department budget because of the planned expenses, but notes that plans can change. This appropriation is not large, and Mr. Hanold is more comfortable with its oversight.

Finance Committee Moved:

To move the IT discretionary account into the operating budget.

Vote: 1 In Favor 5 Opposed 0 Abstained

- Mr. Garrison sees the WPCF discretionary account acting more like the DPW's.
- Ms. Audley noted that the WPCF is budgeted pretty tightly, and thinks that using the discretionary account to make upgrades to SCADA is valuable. Ms. Audley would prefer the

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WPCF budget to be more transparent to people by budgeting for SCADA and keeping the discretionary account for other uses.

Finance Committee Moved:

To move the WPCF discretionary account into the operating budget.

Vote: 0 In Favor 5 Opposed 1 Abstained

FCTS Stabilization Fund

The internal policies of the Finance Committee recommend that funds from the FCTS Stabilization Fund be used towards the Fiscal Year 2020 assessment. However, if Montague's enrollment increases as anticipated, Fiscal Year 2021 will have a significantly higher assessment. The options are to follow the existing policy and use the balance in the stabilization fund for Fiscal Year 2020, fund the Fiscal Year 2020 assessment entirely from Taxation, and/or appropriate an additional amount from Taxation into the FCTS Stabilization Fund.

Finance Committee Moved:

To suspend application of normal policy using the FCTS Stabilization fund to fund the Fiscal Year 2020 assessment.

Vote: 6 In Favor 0 Opposed 0 Abstained

It was decided to determine whether to, and how much to, appropriate of available funding as a transfer to the FCTS Stabilization Fund after voting on all budgets and other special articles.

Preliminary Budget Recommendations

- Mr. Naughton continues to have reservations about the IT budget and thinks the line item for the Consultant should remain constant. Mr. Ellis asked if Mr. Naughton considered that level funding would provide no cost of living to the consultant. Mr. Naughton does not think cost of living applies to a consulting contract.
- Mr. Naughton suggested reducing the IT budget by \$3,000.

Finance Committee Moved:

To recommend \$1,340,872 for general government budgets, broken down as follows:

113	Town Meeting	2,070
122	Selectmen	179,296
131	Finance Comm	680
132	Reserve Fund	60,000

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135	Town Accountant	79,163	
141	Assessors	187,824	
145	Treas/TaxColl	220,990	
151	Town Counsel	98,000	
155	Information Tech	46,000	(49,000 was requested)
159	Shared Costs	65,659	
161	Town Clerk	155,236	
175	Planning	124,184	
176	ZBA	1,200	
182	MEDIC	1,000	
190	Pub Bldg Utilities	119,570	
Vote: <u>4</u> In Favor <u>2</u> Opposed <u>0</u> Abstained			

Selectboard Moved:

To recommend \$1,340,872 for general government budgets, broken down as follows:

113	Town Meeting	2,070	
122	Selectmen	179,296	
131	Finance Comm	680	
132	Reserve Fund	60,000	
135	Town Accountant	79,163	
141	Assessors	187,824	
145	Treas/TaxColl	220,990	
151	Town Counsel	98,000	
155	Information Tech	46,000	(49,000 was requested)
159	Shared Costs	65,659	
161	Town Clerk	155,236	
175	Planning	124,184	
176	ZBA	1,200	
182	MEDIC	1,000	
190	Pub Bldg Utilities	119,570	

Vote: 2 In Favor 0 Opposed 0 Abstained

Finance Committee Moved:

To recommend \$2,315,113 for public safety budgets, broken down as follows:

211	Police	1,624,912	
211	Police Cruiser	51,600	
212	Dispatch	305,255	

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241	Building Insp	138,047		
244	Sealer of Weights	2,750		
291	Emergency Mgmt	5,765		
292	Animal Control	20,057		
294	Forest Warden	1,710		
299	Tree Warden	18,285		
511	Board of Health	146,732		
Vote: <u>6</u> In Favor		<u>0</u> Opposed	<u>0</u> Abstained	

Selectboard Moved:

To recommend \$2,315,113 for public safety budgets, broken down as follows:

211	Police	1,624,912
211	Police Cruiser	51,600
212	Dispatch	305,255
241	Building Insp	138,047
244	Sealer of Weights	2,750
291	Emergency Mgmt	5,765
292	Animal Control	20,057
294	Forest Warden	1,710
299	Tree Warden	18,285
511	Board of Health	146,732

Vote: 2 In Favor 0 Opposed 0 Abstained

Finance Committee Moved:

To recommend \$2,172,707 for public works budgets, broken down as follows:

420	DPW	1,369,805
420	Flail Lease (2/5)	24,090
423	Snow & Ice	252,000
433	Solid Waste	519,812
491	Cemeteries	7,000

Vote: 6 In Favor 0 Opposed 0 Abstained

Selectboard Moved:

To recommend \$2,172,707 for public works budgets, broken down as follows:

420	DPW	1,369,805
420	Flail Lease (2/5)	24,090
423	Snow & Ice	252,000

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433	Solid Waste	519,812
491	Cemeteries	7,000

Vote: 2 In Favor 0 Opposed 0 Abstained

Finance Committee Moved:

To recommend \$142,285 for human services budgets, broken down as follows:

541	COA	45,685
543	Vet Benefits	96,600

Vote: 6 In Favor 0 Opposed 0 Abstained

Selectboard Moved:

To recommend \$142,285 for human services budgets, broken down as follows:

541	COA	45,685
543	Vet Benefits	96,600

Vote: 2 In Favor 0 Opposed 0 Abstained

Finance Committee Moved:

To recommend \$542,795 for culture and recreation budgets, broken down as follows:

610	Libraries	404,274
630	Parks & Rec	136,721
691	Historical Comm	500
693	Soldiers' Memorial	1,300

Vote: 6 In Favor 0 Opposed 0 Abstained

Selectboard Moved:

To recommend \$542,795 for culture and recreation budgets, broken down as follows:

610	Libraries	404,274
630	Parks & Rec	136,721
691	Historical Comm	500
693	Soldiers' Memorial	1,300

Vote: 2 In Favor 0 Opposed 0 Abstained

Finance Committee Moved:

To recommend \$888,793 for the debt budget.

Vote: 6 In Favor 0 Opposed 0 Abstained

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Selectboard Moved:

To recommend \$888,793 for the debt budget.

Vote: 2 In Favor 0 Opposed 0 Abstained

Finance Committee Moved:

To recommend \$104,608 for the intergovernmental budget.

Vote: 6 In Favor 0 Opposed 0 Abstained

Selectboard Moved:

To recommend \$104,608 for the intergovernmental budget.

Vote: 2 In Favor 0 Opposed 0 Abstained

Finance Committee Moved:

To recommend \$2,321,226 for the miscellaneous budgets, broken down as follows:

910	Employee Benefits	2,227,951
946	General Insurance	93,275

Vote: 6 In Favor 0 Opposed 0 Abstained

Selectboard Moved:

To recommend \$2,321,226 for the miscellaneous budgets, broken down as follows:

910	Employee Benefits	2,227,951
946	General Insurance	93,275

Vote: 2 In Favor 0 Opposed 0 Abstained

Finance Committee Moved:

To recommend \$2,295,227 for the WPCF budgets, broken down as follows, and funded with \$215,000 from Taxation and \$2,080,227 from Sewer User Fees.

440	WPCF	1,431,526
700	WPCF Debt	533,163
910	WPCF Benefits	279,702
449	WPCF DPW Sub	42,800
449	DPW Sub Capital	8,000

Vote: 6 In Favor 0 Opposed 0 Abstained

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Selectboard Moved:

To recommend \$2,295,227 for the WPCF budgets, broken down as follows, and funded with \$215,000 from Taxation and \$2,080,227 from Sewer User Fees.

440 WPCF 1,431,526

700 WPCF Debt 533,163

910 WPCF Benefits 279,702

449 WPCF DPW Sub 42,800

449 DPW Sub Capital 8,000

Vote: 2 In Favor 0 Opposed 0 Abstained

Finance Committee Moved:

To recommend \$53,078 for the Airport budget, funded with \$6,094 from Taxation and \$46,984 from Airport Revenue.

Vote: 6 In Favor 0 Opposed 0 Abstained

Selectboard Moved:

To recommend \$53,078 for the Airport budget, funded with \$6,094 from taxation and \$46,984 from Airport Revenue.

Vote: 2 In Favor 0 Opposed 0 Abstained

Finance Committee Moved:

To recommend \$95,400 for the Colle budget, funded from Colle Receipts Reserved for Appropriation.

Vote: 6 In Favor 0 Opposed 0 Abstained

Selectboard Moved:

To recommend \$95,400 for the Colle budget, funded from Colle Receipts Reserved for Appropriation.

Vote: 2 In Favor 0 Opposed 0 Abstained

Finance Committee Moved:

To recommend \$10,229,737 for the GMRSD assessment, funded with \$50,000 from Free Cash and \$10,179,737 from Taxation.

Vote: 6 In Favor 0 Opposed 0 Abstained

Selectboard Moved:

To recommend \$10,229,737 for the GMRSD assessment, funded with \$50,000 from Free Cash and \$10,179,737 from Taxation.

Vote: 2 In Favor 0 Opposed 0 Abstained

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Finance Committee Moved:

To recommend \$15,000 for the Police Discretionary Article, to be funded from Taxation.

Vote: 5 In Favor 1 Opposed 0 Abstained

Finance Committee Moved:

To recommend \$11,000 for the IT Discretionary Article, to be funded from Taxation.

Vote: 4 In Favor 2 Opposed 0 Abstained

Finance Committee Moved:

To recommend \$20,000 for the WPCF Discretionary Article, to be funded from Sewer User Fees.

Vote: 5 In Favor 0 Opposed 1 Abstained

Finance Committee Moved:

To recommend \$16,250 for Utility Valuations, to be funded from Free Cash.

Vote: 6 In Favor 0 Opposed 0 Abstained

Finance Committee Moved:

To recommend \$50,000 for Hydroelectric Valuations, to be funded from Free Cash.

Vote: 6 In Favor 0 Opposed 0 Abstained

Finance Committee Moved:

To recommend \$7,500 for Industrial Park Signage, to be funded from Taxation.

Vote: 6 In Favor 0 Opposed 0 Abstained

Selectboard Moved:

To recommend the following special articles and funding sources:

Police Discretionary	15,000	Taxation
IT Discretionary	11,000	Taxation
WPCF Discretionary	20,000	Sewer User Fees
Utility Valuation	16,250	Free Cash
Hydroelectric Valuation	50,000	Free Cash
Industrial Park Signage	7,500	Taxation

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Vote: 2 In Favor 0 Opposed 0 Abstained

- Mr. Naughton asked if the Town Capital Stabilization fund and General Stabilization fund are adequately funded. Mr. Hanold noted that while we are technically in compliance with our policy for annual appropriations in to the Town Capital Stabilization Fund, the balance of the fund is far from adequate given present and anticipated needs. Mr. Naughton would like to consider putting additional funds into the Town Capital Stabilization Fund.

Finance Committee Moved:

To recommend the following special articles and funding sources:

OPEB	50,000	Taxation
Town General Stabilization	57,654	Taxation
GMRSD Stabilization	38,507	Taxation

Vote: 6 In Favor 0 Opposed 0 Abstained

Selectboard Moved:

To recommend the following special articles and funding sources:

OPEB	50,000	Taxation
Town General Stabilization	57,654	Taxation
GMRSD Stabilization	38,507	Taxation

Vote: 2 In Favor 0 Opposed 0 Abstained

Board of Health Requests –

Suggestions for inclusion in the report:

- Note that we are rolling forward with the same staffing, and that the discussion of adding a public health nurse will happen when new director on board.
- Make it clear that the nurse funding was eliminated at request of the Board of Health, and this was not the decision of the Finance Committee.
- For more information, contact the Board of Health

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Parks & Recreation Requests –

Suggestions for inclusion in the report:

- Note collaborative efforts with the GMRSD.
- Grant funding will be used to refurbish Park refurbishment.

Information Technology Requests –

Suggestions for inclusion in the report:

- Budget reduction was recommended because the Finance Committee and Selectboard feel that there should not be as much need for IT consultant time, so no increase in that line item is warranted.
- Mr. Naughton added that the town is lucky to have a consultant willing to take on all the risks of offering services within a fixed price contract. Mr. Ellis suggested saying that the town enjoys a very beneficial arrangement with the IT consultant.

Finance Committee Report to Town Meeting/Town Meeting Information

Ms. Audley presented a draft of the proposed special article presentation, Mr. Naughton presented a draft of the Finance Committee Report to Town Meeting, and Mr. Hanold presented a draft of Financial Policy information and how it could be shown as information for the relative articles.

Special Article Presentation

The top half of the page a proposed motion with discussion, and the bottom shows how information was shown in multiple places for last year's Annual Town Meeting.

- Mr. Naughton likes the draft version, with all of the information in one place, better than the historical version.
- Mr. Naughton suggested that we note whose comment is shown. The decision was made that a joint comment would be fine, and dissenting comments would be shown as needed.
- The reference to the airport's intern in the background section was discussed. Ms. Audley included it because the manager cut his own hours to keep the intern, and their most notable budget increase was for additional intern hours. Mr. Naughton thinks discussion of the intern is

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a level of detail we don't need in background. Another suggestion was to point out that the airport hired intern in spite of town meeting's budget cut, and has found it to be very worthwhile.

- Mr. Naughton suggested identifying the works in progress mentioned in the background information.
- Ms. Audley noted that she is not trying to answer every question that could be asked, but indicating that specific interests noted by town meeting were discussed.

Draft Finance Committee Report to Town Meeting

Mr. Naughton provided a rough draft of the Finance Committee Report to Town Meeting. Some of the proposed changes include:

1. It has been reduced from 11 pages to 6.
2. Some content has been rearranged to include both revenues and expenses in the Introduction.
3. Funding Goals have been moved to just after the Introduction.
4. Funding Goals are followed by the Financial Policies.

Suggestions made include:

- Move Use of Reserves to Financial Policies.
- Separate out Revenues and Reserves.
- Ms. Audley suggested showing everything that has to do with education in one section and using this area to show the different ways the town funds each district. Montague generates an Affordable Assessment for the GMRSD, but the FCTS assessment primarily depends on the student enrollment from Montague.

Financial Policies

Mr. Hanold presented his rough draft incorporating the Financial Policies with the articles involving those policies.

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- Mr. Hanold asked if the extensive background on OPEB was necessary or could be minimized. Ms. Audley suggested having a section about OPEB in the front of the report and reducing the background information in the article, but is okay with keeping it with the article.

Reconsideration of meeting dates and agendas – Move all remaining budget votes to next week (3/20) so that remaining meetings can focus on the report.

Topics not anticipated within in the 48 hour posting requirements – none

Next Meeting Date: – March 20th to meet with the Capital Improvements Committee, vote on final special articles, and review what to include in the Finance Committee Report regarding the operating budgets and special articles.

Meeting adjourned at 8:24 PM

List of Documents and Exhibits:

- Minutes of March 6, 2019
- Ms. Audley's draft airport article
- Mr. Naughton's draft FC Report
- Mr. Hanold's Financial Policy information

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FY20 DRAFT Article ## - Airport Budget

ARTICLE ##. MOVED: That the Town vote to appropriate the sum of \$53,078 for the purpose of operating the Turners Falls Airport with \$6,094 to be raised from Taxation and \$46,984 to be raised from Airport User Fees. (Airport Commission Request)

Background: This budget pays for the operating costs of the Turners Falls airport, which is run by the Airport Commission and staffed by a part-time manager with assistance from a student intern from the Franklin County Technical School. The request reflects a projected 29% increase in the airport's revenue for FY20 and a more than 50% reduction in the facility's reliance on taxation to support its operating costs. There are several projects in the works for FY20 that are expected to further diversify and increase the airport's revenue streams and to generate additional savings.

Comment: This year the airport made significant progress toward becoming financially self-sufficient. The FY20 request is for \$4539 more than FY19, with most of that amount going toward additional hours for staff. We are cautiously optimistic that the airport will succeed in its efforts to end its reliance on taxation in the near future.

Finance Committee Recommends #-#

Selectboard Recommends #-#

[FY19] 5/5/18 ATM motion:

ARTICLE 11. MOVED: That the Town vote to appropriate the sum of \$51,039 for the purpose of operating the Turners Falls Airport with \$14,943 to be raised from Taxation and \$36,096 to be raised from Airport User Fees. (Airport Commission Request)

(This motion was successfully amended down \$2500.)

[FY19] Background information for 5/5/18 ATM:

This budget pays for the operating costs of the Turners Falls Airport, which is run by the Airport Commission. There is a new request for a part-time intern, who will be part of the intern program of the Franklin County Technical School. Even with this increase of \$2,500 the budget shows only a \$1,114 increase from the current year.

[FY 19] Fin Comm report comment on Airport:

As in prior years, user fees and revenue from non-aviation sources are insufficient to cover all Fiscal Year 2019 spending, which will rise 2.23% to \$51,039. The Airport Commission proposes to use an intern from the Franklin County Technical School for a semester to enable better use of the manager's limited hours. In spite of this added expense the airport is expected to be 70% self-supporting, a slight improvement over Fiscal Year 2018. The Airport Commission is actively pursuing development plans for areas not suitable for aviation operations, and renegotiates user fees as contracts are renewed.]

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Mr. Naughton's draft FC Report

FINANCE COMMITTEE REPORT TO TOWN MEETING

Fiscal Year 2020

The Montague Finance Committee proposes a balanced budget of ~~\$23,673,992~~ to provide municipal services during Fiscal Year 2020 (FY20). The Motions in this report provide figures by major category and operating department. Further detail is available on the town website at www.montague-ma.gov. There you can also find this report, a Glossary of terms used in it, revenue estimates for FY20, details of compliance with Financial Management Policies, and line item budgets for all Town departments. To find them, select "Your Government," "Boards and Committees," then "Finance Committee." "Annual Budget Information" is on the right under "Additional Pages." Many bold-type terms used in this report are defined in the Glossary, sent separately.

INTRODUCTION

This budget strives to provide effective municipal programs and services to Montague's residents while assuring a financially sustainable future. Our **revenue** estimates reflect our expectations for tax collections, local receipts, and state aid in various forms. In recent years, larger than normal figures for **New Growth**, along with the beginning of lease payments for the Kearsarge solar facility, have caused expected revenues to grow at a higher than normal rate. In FY20, we expect the revenue growth rate to return to a more normal level.

As has been the case in recent years, town departments were asked to submit "level services" budgets, and for the most part they have done so. A few changes have been asked for, and they are noted in the discussions of the particular departments, but conservative estimates for revenue combined with perennial increases in personnel costs have constrained the town's ability to fund innovations.

FUNDING GOALS

As in previous years, the Finance Committee continued to pursue two general goals for FY20. The first is to fund annual needs (both departmental operating budgets and recurring Special Articles) from non-Reserve sources, and to avoid using Reserves for non-recurring projects estimated to cost less than \$25,000. We accomplished this goal, for a second consecutive year, using a combination of Taxation and Free Cash.

The second goal is to fund the assessment of the Gill-Montague Regional School District (GMRSD) according to the method described in the Compact for Funding Education which was signed in 2010. We provided the district with the town's Affordable Assessment, calculated per the formula in the Compact, and the School Committee's

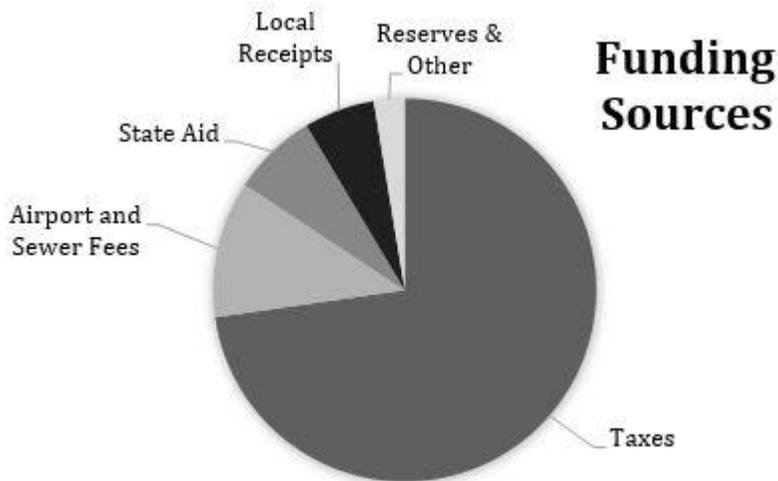
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request our target. We therefore recommend approval of their request.

FINANCIAL POLICIES

In June, 2014, the Select Board adopted a set of Financial Management Policies that have guided our recommendations for capital spending, debt financing, and appropriations to the various stabilization accounts.

One thing to note is that these policies suggest that the town is not carrying enough of a debt load, suggesting possibly inadequate attention to the town's infrastructure. However, the town's ability to finance more debt without doing a debt exclusion is limited; doing so would likely require reducing spending in other areas. How best to maintain the balance between providing services and maintaining infrastructure will be a matter of ongoing discussion in the years ahead.



REVENUE HIGHLIGHTS

The town's budget is funded mostly from five sources: property taxes, state aid, local receipts, airport and sewer fees, and reserves (principally Free Cash or Stabilization Funds).

Property Taxes The proposed budget assumes that property will be taxed to the levy limit. Net levy revenue is 4.53% higher than FY19. After two years of higher than normal growth, the estimate of **New Growth** has returned to more historically normal levels. Progress on resolving disputed valuations of certain utility properties has been slow, but decisions so far have supported the town's position, and we hope that continues. In the

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meantime, we continue to set aside reserves to cover the possibility that the town does not ultimately prevail.

State Aid Again this year, we have used the Governor's budget (also called "House 1") for estimates for **State Aid**, as those are the best figures available at this time. [\[add comparison figures here\]](#)

Local Receipts This source is projected at ~~13.76%~~ above the Fiscal Year 2019 level. Approximately ~~58.6%~~ of Local Receipts comes from Motor Vehicle Excise Taxes and Trash Sticker sales and ~~9.7%~~ from the share of Kearsarge lease payments.

School Resource Officers The cost of School Resource Officers at Gill-Montague and Franklin County Technical Schools (FCTS) appears in the Police department budget and the reimbursements are part of **Local Receipts**. The FCTS reimburses the full cost (salary, benefits and related non-personnel expenses) of one School Resource Officer and the GMRSD will reimburse 75% of the costs for the other, which is proposed for the first time in Fiscal Year 2019. Together these account for 7.6% of **Local Receipts**.

Reserves are a combination of **Free Cash**, **Stabilization Funds** and other miscellaneous reserves. Our objective is to reduce our reliance on **Free Cash** to balance the budget, so we propose reducing its contribution to the **General Fund** budget from \$150,000 in FY19 to \$100,000 in FY20. We also recommend using **Free Cash** for several Special Articles.

Airport and Sewer User Fees

Airport user fees include Payments in Lieu of Taxes, rentals/leases and house rent. Sewer user fees include residential and industrial sewer bills and septage fees.

Use of Reserves

We try to ensure a financially sustainable future for Montague by funding recurring expenses with taxes and other recurring revenue, and providing for significant future non-recurring needs by establishing savings (stabilization) funds

We customarily recommend funding vehicle leases from **Taxation** and outright purchases from **Taxation** or **Capital Stabilization**. Vehicle recommendations FY20 include the replacement of a vehicle for the Police, budgeted as Capital Outlay in the Police budget, and the annual lease payment for a flail mower, budgeted as Capital Outlay in the Public Works budget. The effect is to fund them from **Taxation**, as intended.

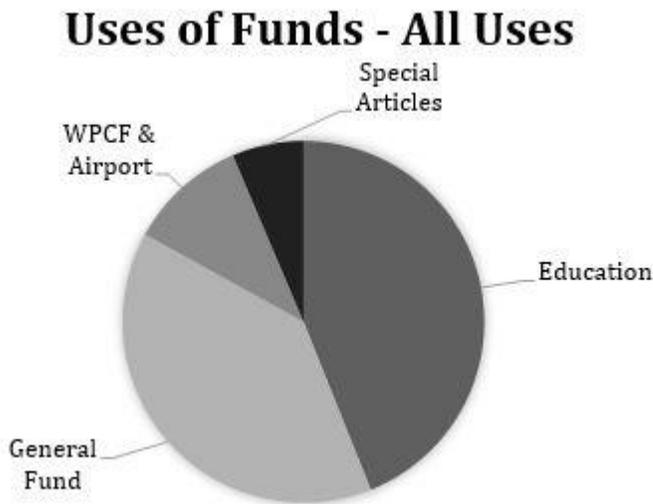
We customarily recommend that appropriations for small non-recurring expenditures (below \$25,000) come from **Taxation/Sewer Fees** or **Free Cash** (if available). In FY20 we recommend three such requests, funded from those sources.

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Once again we recommend no spending from **General Stabilization**, in order to preserve that fund for possible future cuts in state aid.

Education Revenue

Welcome changes to the state’s Chapter 70 school aid formula resulted in a significant increase for GMRSD in FY20. This has helped to offset the effect of the slowing of the growth of the town’s assessment contribution. The Chapter 70 formula remains enrollment-based, however, so maintaining enrollment levels in the district in the face of a region-wide population decline continues to be a challenge.

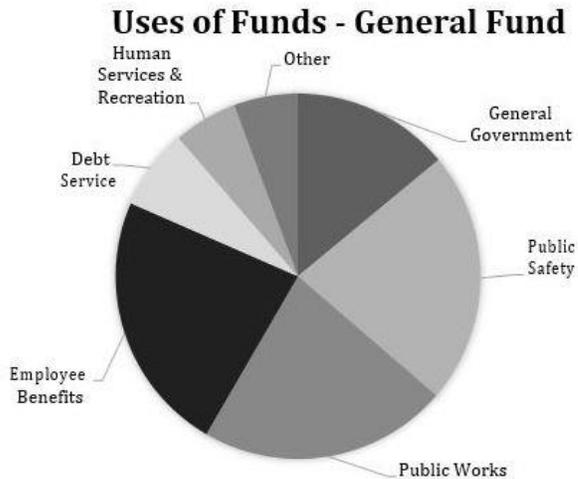


EXPENDITURE HIGHLIGHTS

Expenditures fall into four basic categories: General Fund, Education, Enterprise Funds (WPCF and Airport), and Special Articles. Education takes the largest share, at XX.X%, followed by General Fund at XX.X%, Enterprise Funds at XX.X%, and Special Articles at XX.X%. [compare to FY19?] The enterprise funds are primarily funded through user fees; the other categories are funded from taxation, other recurring revenues, and stabilization.

TOWN OPERATING BUDGET

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General Conditions

As noted above, town departments were asked to submit “level services” budget requests. For FY20, the requested and recommended cost of General Fund operations rose by ~~\$398,327~~ or 4.43% to ~~\$9,400,018~~.

Staffing Changes

[Staffing changes here]

Wages & Benefits

Wages reflect a 2% overall wage increase, plus step increases per current collective bargaining agreements for those employees not at the top of their range. Employee Benefits costs rose ~~\$128,396~~ or 6.16%, due in part to higher health insurance costs and in part to the increase in eligible employees.

CONCLUSION

It remains challenging to maintain town services with the funds we have available. Our ability to maintain services has been significantly aided by the commitment and resourcefulness of town employees and the gradual recovery of revenue sources. We continue to wrestle with changing revenue sources and infrastructure and regulatory challenges at the Water Pollution Control Facility.

Looking forward to FY21 and beyond we expect that **state aid** will continue to increase slowly, if the legislature continues the practice of increasing unrestricted aid in line with increased tax collections. More solar installations seem likely in future years, which will increase **local receipts**.

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The town's fiscal condition continues to be healthy, and is expected to remain so. We believe this health is important to obtain favorable bond rates on future borrowings. The increasing age of our buildings and equipment, within both the **General Fund** and the Water Pollution Control Facility, will require continued spending for repair, maintenance or replacement. We expect to work with the Select Board and Capital Improvements Committee to formulate and follow a clear plan to provide effective government without relying on the use of **reserves** for **operating expenses**.

In future years the Town will face the difficult choice of how to raise more revenue (through **user fees**, **debt exclusions**, **Proposition 2 ½ override**, or diversion of funds from other uses) if we wish to replace or upgrade municipal buildings and infrastructure. Examples include Town Hall renovations, Senior Center, Libraries, and the Water Pollution Control Facility and related infrastructure. We invite both general comments and specific questions from residents and Town Meeting members as to how Town services should be prioritized to support our common goals.

Respectfully submitted:

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	HISTORICAL BUDGET SUMMARY		
REVENUES	FY17	FY18	FY19
Net Tax Levy	15,498,658	16,455,441	17,367,361
State Aid	1,584,712	1,617,524	1,634,123
Local Receipts	1,366,826	1,416,846	1,611,474
Other Available	453,025	22,850	53,465
Reserved Receipts	102,150	97,525	247,375
Free Cash	250,000	401,000	344,000
Borrowing	1,385,000	385,000	521,000
Airport Fees	40,337	33,258	36,096
Sewer User Fees	2,250,482	2,627,714	1,862,231
Total Revenues	22,931,190	23,057,158	23,677,125
EXPENSES			
General Government	1,215,207	1,258,683	1,327,973
Public Safety	2,117,547	2,147,078	2,265,691
Public Works	1,916,723	1,985,091	2,088,609
Human Services	208,252	178,989	149,889
Culture & Recreation	487,590	508,386	534,642
Debt Service	659,072	639,218	629,774
Intergovernmental	92,564	99,253	101,036
Employee Benefits	1,963,295	2,083,243	2,211,404
General Insurance	92,946	94,000	91,000
WPCF	2,331,733	2,384,214	2,017,231
AIRPORT	49,020	49,925	51,039
FCTS Assessment	659,356	747,340	974,338
GMRSD Assessment	8,852,114	9,356,560	9,811,160
Special Articles	2,283,263	1,520,492	1,420,206
Total Expenses	22,928,682	23,052,472	23,673,992

Mr. Hanold's Financial Policy information

ARTICLES XX – YY: FINANCIAL MANAGEMENT POLICIES

In 2014 the Selectboard adopted a statement of **Financial Management Policies**, establishing a set of goals the town strives to achieve in order to support the sustainability in its operations. Adherence to then also helps to provide resources for periodic major expenditures, or to respond to unusual changes in revenue. (These goals do not include the Colle Building, the Airport, or the Water & Pollution Control Facility, which have their own resources.)

Some goals are “general health” goals, which may not require an appropriation, and others are “regular action” goals, to ensure that we are addressing current and future needs in a timely fashion. A benchmark for several of these goals is Prior Year General Operating Revenue (PYGOR), which consists of \$18,000,000 for Fiscal Year 2019:

Net Tax Levy	\$16,451,693	
Less: excluded Debt	(747,324)	
Net State Aid plus Local Receipts	<u>3,513,749</u>	
PYGOR	\$19,667,586	

General Health Measure Total Stabilization Funds plus Free Cash to be maintained at 5 – 10% of PYGOR.

Free Cash	\$470,507	28 Feb after STM
Capital Stabilization	117,454	31 March
General Stabilization	981,128	31 March
GMRSD Stabilization	37,988	31 March
FCTS Stabilization	<u>46,025</u>	31 March
Total	\$1,653,102	8.41 %

5% Lower Level	\$ 983,379	NO ACTION NEEDED
10% Upper Level	\$1,966,759	

General Health Measure General Stabilization to be maintained at a minimum of 5% of PYGOR.

General Stabilization	981,128	31 March
	4.99%	NO ACTION NEEDED

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General Health Measure General Stabilization to be maintained at a minimum of 5% of PYGOR.

General Stabilization 981,128 31 March
 4.99% **NO ACTION NEEDED**

General Health Measure General Stabilization to be maintained at a minimum of 5% of PYGOR.

General Stabilization 981,128 31 March
 4.99% **NO ACTION NEEDED**

General Health Measure General Stabilization to be maintained at a minimum of 5% of PYGOR.

General Stabilization 981,128 31 March
 4.99% **NO ACTION NEEDED**

ARTICLE XX – **Regular Action** MOVED: That the Town vote to appropriate the sum of \$139,452 for the purpose of increasing the Town General Stabilization Fund, said sum to be raised from Taxation.

Background: This figure is the sum of 51.5% of the annual income from the Kearsarge lease (\$81,778), plus 0.3% of PYGOR (\$57,654). The revenue from the lease expires after 20 years and is not included in Operating Revenue.

This treatment ensures that operating revenue is not increased beyond a realistic level, and that appropriations are made each year to maintain prudent reserves for sudden reductions in State Aid.

Sponsor: Finance Committee recommends 7-0

Selectboard: recommends 3-0

Vote Required: Two-thirds

ARTICLE XX – **Regular Action** MOVED: That the Town vote to appropriate the sum of \$38,436 for the purpose of increasing the Town Capital Stabilization Fund, said sum to be raised from Taxation.

Background: This figure is 0.2% of PYGOR, to ensure regular appropriations for Capital requests.

Sponsor: Finance Committee recommends 7-0

Selectboard: recommends 3-0

Vote Required: Two-thirds

ARTICLE XX – **Regular Action** MOVED: That the Town vote to appropriate the sum of \$38,507 for the purpose of increasing the GMRSD Stabilization Fund, said sum to be raised from Taxation.

Background: This figure is 48.5% of the Kearsarge lease payment, and is devoted to capital equipment purchases by the school district to support the Montague elementary schools in the district (these buildings are the property of the Town and leased to the District.)

Sponsor: Finance Committee recommends 7-0

Selectboard: recommends 3-0

Vote Required: Two-thirds

ARTICLE XX – **Regular Action** MOVED: That the Town vote to appropriate the sum of \$50,000 for the purpose of increasing the Town OPEB Trust fund, said sum to be raised from Taxation

Background: Towns have historically paid these benefits on a “Pay As You Go” basis, which does not account for rising entitlements or long-service employees.. Towns are now expected to to fund the under-funded liability for Other Post-Employment Benefits. (OPEB), principally retiree health insurance. The approximate unfunded liability is \$5,320,000 and our Trust Fund is presently about \$480,000. Though this appropriation is primarily a recognition of our liability, it exceeds the PAYGO figure which is part of operating expenses. A similar reduction in unfunded pension liabilities is ongoing and when it is fully funded (est. 2030) the OPEB appropriation will increase.

The OPEB Trust Fund is administered as part of the State’s Pension Reserves Investment Trust, which benefits from significant investment income.

Sponsor: Finance Committee recommends 7-0

Selectboard: recommends 3-0

Vote Required: Two-thirds